

A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, September 28, 2006

Back Print

Financial and Administrative Services RECOMMENDATION FOR COUNCIL ACTION

ITEM No. 12

Subject: Approve a resolution declaring the City of Austin's official intent to reimburse itself from long-term tax-exempt debt to be issued by or on behalf of the City in the amount of \$4,500,000 for expenditures related to water utility relocations and improvements associated with the Seaholm Redevelopment Project.

Amount and Source of Funding: \$4,500,000 in tax-exempt long-term debt expected to be issued by or on behalf of the City no earlier than August 2007. (Related to item #51)

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

Additional Backup Material

(click to open)

Resolution

For More Information: John Stephens, Chief Financial Officer, 974-2076

A city must have budgeted for and provided a source of funds in order to enter into a contract. For the City to spend money today, and reimburse itself from future long-term debt, a reimbursement resolution is required by state and federal law. U.S. Treasury Regulations require that the City adopt an "Official Declaration of Intent to Reimburse". Failure to adopt a qualified declaration of official intent will prohibit the City from reimbursing the cost with the proceeds of future long-term debt. All costs to be reimbursed are Capital expenditures within the meaning of Section 1.103-18(c)(2)iii of the Treasury Regulations.

The resolution must contain certain information and protects the tax-exempt status of the future issuance. The reimbursement resolution must be adopted not more than 60 days after the date that a project expenditure is made. The tax-exempt obligations must be issued not later than 18 months after of the date that the expenditure was made, or if later, the date the project is placed into service, but in no case more than three years after the date that a project expenditure subject to the reimbursement is paid.

By this action, the City Council expresses the City's intent to reimburse itself for costs incurred in Fiscal Year 2006-2007, estimated at \$4,500,000, for water utility re-locations and improvements associated with the Seaholm Redevelopment Project from future long-term debt to be issued by or on behalf of the City. A portion of the debt issued for improvements associated with the Seaholm Redevelopment Project may be classified as taxable under the Internal Revenue Code, but does not require a reimbursement resolution for expenditures incurred prior to the issuance of the taxable bonds.

RESOLUTION NO.

WHEREAS, the City of Austin (the "Issuer") is a home rule city authorized to issue obligations to finance its activities, the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt obligations") pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Issuer will make, or has made not more than 60 days before this date, expenditures in an aggregate principle amount not to exceed \$4,500,000 for expenditures related to water utility relocations and improvements associated with the Seaholm Redevelopment Project; and

WHEREAS, the Issuer has concluded that it does not currently desire to issue tax-exempt obligations to finance this payment; and

WHEREAS, the Issuer desires to reimburse itself for these expenditures from the proceeds of tax-exempt obligations to be issued by or on behalf of the issuer subsequent to this date; and

WHEREAS, the Issuer reasonably expects to issue tax-exempt obligations to reimburse itself; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The Issuer reasonably expects to reimburse itself for all costs that have been paid during the 60 days preceding this date or that will be paid after this date from the proceeds of tax-exempt obligations to be issued by or on behalf of the issuer at a future date for expenditures in an aggregate principle amount not to exceed \$4,500,000 for expenditures related to water utility relocations and improvements associated with the Seaholm Redevelopment Project; and

The Issuer reasonably expects that the maximum principal amount of tax-exempt obligations issued to reimburse the Issuer for the above-stated costs will not exceed \$4,500,000.

ADOPTED: _____, 2006 **ATTEST:** _____

Shirley A. Gentry
City Clerk